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FINAL REPORT

The Bulgaria Labor Market Project

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EXECUTIVE SUMMARY

A. INTRODUCTION

The Bulgaria Pension Reform and Labor Market Project was initiated in September 2002 as a modification of the prior Pension Reform activity (initiated in 1998). The new phase had two principal components:

- 1) Pension Reform Component: To help ensure the financial stability and sustainability of the pension system that had been reformed with USAID assistance starting in 1998, with a particular emphasis on regulatory strengthening and IT systems; and
- 2) Labor Market Reform Component: To strengthen the policy analysis capability of the Ministry of Labor and Social Policy (MLSP).

Given the growing emphasis on the labor market component, the project was renamed the Bulgaria Labor Market Project (LMP). A modification of the Task Order (TO) in August 2004 provided an extension of the period of performance and further refined the scope of work of the Labor Market Reform Component to focus on activities that were proving most cost-effective.

B. THE LMP PROGRAM

The Pension Reform Component was successfully completed in February of 2005. Carried out in two phases, from 1998 to 2002, it focused on developing the policy, regulatory and institutional framework for a three-pillar pension system, as well as ensuring for the necessary public education to allow for a successful start-up of mandatory occupational and universal funds. The second phase, between 2002 and the completion of USAID support in 2004 focused on strengthening the regulatory and administrative capacity to ensure the long-term success of the reforms. These efforts were celebrated with an international conference in 2005 to discuss the lessons learned and compare the Bulgarian experience with the experiences of other countries. Since the report “Pension Reform 1998-2004” was prepared at that time, this final report, while including Pension Reform activities, will include a more detailed focus the Labor Market activities.

The Labor Market Reform Component was also carried out in two phases: First through a focus with the Ministry of Labor and Social Policy (MLSP) aimed at providing policy advisory and analysis support, especially to develop, publicize and evaluate policies and programs to lower the stubbornly high levels of unemployment; and beginning in August of 2004 with a second phase. Its primary focus shifted to “identifying and eliminating labor market constraints on new job creation, with the ultimate goal of attaining sustained employment growth, higher wages and rising incomes in Bulgaria.” Specifically, the objectives were to: 1) Improve the flexibility of the Labor Market needed for increased investment and growth; and 2) Help the country improve the competitiveness of its labor force to better meet the EU labor market demands.

C. CHALLENGES AND LESSONS LEARNED

The Bulgaria LMP tackled two of the most complex and challenging issues facing both emerging and developed countries: pension and labor market reform. Important lessons learned over the course of this project include:

- *Comprehensive and controversial reform works best when there is an impending crisis to focus attention, followed up by an inclusive process to work out solutions.*

- *The failure of education and training institutions to adequately prepare and advance the skills of labor market participants is emerging as one of the most critical structural constraints to economic growth.*
- *Public outreach and effective two-way communications should be a part of all economic reform projects.*
- *IT applications contribute significantly to change in institutions, processes and behavior.*
- *USAID projects are most effective when they focus on strategic objectives and measurable results, but yet are allowed to evolve tactically based on what is working and what is learned.*
- *Building for sustainability is achieved by thinking of USAID resources as a co-investment in projects “owned” by local champions.*

Of these lessons learned over the course of this program, the most important and satisfying is that LMP produced two important legacies that USAID will leave in Bulgaria: 1) A fundamentally reformed pension system that also provides a major stimulus to the capital market; and 2) Career Development Centers (CDCs) and related programs that begin to bridge the gap between the evolving needs of the economy and the skills and preparation of labor market participants.

As Bulgaria embarks on the process of European Union integration and the USAID Mission closes its doors, the Bulgaria Labor Market Project has proven to be a lasting legacy and fundamental source of vitality in the Bulgarian economy. While there are few foreseeable opportunities for formal USG assistance to expand the LMP’s activities, there are many promising areas for expansion.

Perhaps the LMP’s greatest success is the creation of a significant legacy in the form of competent and accountable institutions that will carry on the work of labor market enhancement well into the future. These include the CDCs and their host institutions, government agencies such as the Employment Agency, and the Business Foundation for Education. The key challenge for all major players—regardless of their sector, expertise, or service—is threefold:

- To continue to improve and innovate their programs and services, according to international best practices;
- To transfer their expertise to institutions which have not yet achieved satisfactory labor programs; and
- To maximize gains and efficiency by maintaining close coordination and cooperation with one another.

It has been a pleasure for CARANA Corporation to undertake the Bulgaria LMP, working closely with our partner, USAID. We deeply appreciate the support and collegial relationships that we have shared with our Bulgarian partners and dedicated USAID staff. Without this supportive environment, the successes achieved under the program would not have been possible.

I. BULGARIA LMP PROJECT OBJECTIVES, COMPONENTS AND EVOLUTION

INTRODUCTION

The Bulgaria Pension Reform and Labor Market Project was initiated in September 2002 as a modification of the prior Pension Reform activity (initiated in 1998). The new phase had two principal components:

- 3) Pension Reform Component: Help ensure the financial stability and sustainability of the pension system that had been reformed with USAID assistance starting in 1998, with a particular emphasis on regulatory strengthening and IT systems; and
- 4) Labor Market Reform Component: Strengthen the policy analysis capability of the Ministry of Labor and Social Policy (MLSP).

Given the growing emphasis on the labor market component, the project was renamed the Bulgaria Labor Market Project (LMP). A modification of the Task Order (TO) in August 2004 provided an extension of the period of performance and further refined the scope of work (SOW) for the LMP component to focus on activities that were proving most cost-effective.

The Pension Reform Component was successfully completed in February of 2005, and celebrated with an international conference to discuss the lessons learned and compare the Bulgarian experience with the experiences of other countries. Since the report, “Pension Reform 1998-2004” was prepared at that time, this final report focuses more on the Labor Market activities.

A. PENSION REFORM COMPONENT: OBJECTIVES AND EXPECTED RESULTS

The objective of this component was to “help the GOB ensure the financial stability and sustainability of the reformed pension system.” The TO specified that the “achievement of Tangible Results and Benchmarks are the essence of the SOW.” These focused on the following:

- Measurable increases in pension contributions, collections, compliance and enforcement;
- Legislation to strengthen regulations and supervisory oversight;
- Administrative systems in NSSI (social security administration), SISA (pension regulator) and private pension funds that ensure transparent, effective and efficient management of pensions;
- Policies and procedures on pension fund reporting, disclosure, conflict of interest, investment standards, custody and reserve requirements;
- Adoption of EU standards, International Accounting Standards and international audit and investment standards;
- Training of the staff of NSSI and SISA on pension regulation and administration issues; and
- Increased public understanding and confidence in the reformed system.

B. LABOR MARKET COMPONENT: OBJECTIVES AND EXPECTED RESULTS

The initial SOW for this component defined the objective as “support the GOB’s need to develop the analytical tools considered necessary to formulate well-designed labor market, unemployment and related social assistance policies” and “provide a high level Labor Markets Advisor to the Minister of Labor and

Social Policy.” This component arose in large measure from a request from the Minister (who was also largely responsible for pension related policies) for this additional assistance.

The expected results from this activity were defined as follows:

- The application of policy analysis techniques in the MLSP to determine the cost and expected return of different labor market interventions and income support measures;
- Effective articulation by the MLSP of its strategy and programs to the Bulgarian people, enhancing the success of its programs;
- Enhancing the Ministry’s ability to calculate the shadow economy and articulate the cost of underpayment of social taxes to the Bulgarian family;
- Improved regional data reflecting decreased job seekers to vacancy ratio and/or higher rate of job creation than job destruction; and
- Labor Code and Social Assistance Act compatible with EU accession standards.

In large measure, the above focus can be attributed to a period of exceptionally high unemployment in Bulgaria. The Government, through its Minister of Labor and Social Policy, decided to emphasize active labor market programs aimed at getting the long-term unemployed back to work. The LMP helped the Ministry promote these programs throughout the country, as well as developed and applied techniques for analyzing their effectiveness.

Labor Market Component Objectives:

Identify and eliminate labor market constraints on new job creation, with the ultimate goal of attaining sustained employment growth, higher wages, and rising incomes in Bulgaria.

1. *Improve the flexibility of the labor market needed for increased investment and growth in Bulgaria.*
2. *Help the country improve the competitiveness of its labor force to better meet the EU labor market demands.*

As further detailed in the results section, unemployment began to drop fairly rapidly, at least in part due to these active labor market programs. However, these tend to be short-term, publicly subsidized initiatives. Thus, it was decided to refocus LMP initiatives on longer term “labor market constraints to new job creation, with the ultimate goal of attaining sustained employment growth, higher wages and rising incomes in Bulgaria. More specifically, the Modification to the TO had the following specific objectives:

- Assist the GOB in developing and enacting legislative amendments to the Labor Code; and
- Develop and implement strategies that:
 - Address education and training constraints to the supply of labor skills as demanded by employers;
 - Validate the central role of the labor market as the natural link between job creation and education;
 - Strengthen the weak institutional relations between the labor market and educational and training markets; and
 - Target specific employers planning to expand existing businesses or establish new businesses, for the purpose of developing training and recruitment models that can be replicated with other employers.

II. PENSION REFORM COMPONENT

A. REFORM CONCEPT AND MILESTONES

USAID support for pension reform was carried out under one Task Order, albeit in two phases. The first phase, between 1998 and 2002, focused on developing the policy, regulatory and institutional framework for a three-pillar pension system, as well as ensuring for the necessary public education to allow for a successful start-up of mandatory occupational and universal funds. The second phase, between 2002 and the completion of USAID support in 2004 focused on strengthening the regulatory and administrative capacity to ensure the long-term success of the reforms.

Bulgarian pension reform is based on the three-pillar model. This approach combines mandatory, pay

Milestones in the Pension Reform Process

1998	Government reform strategy
1999	Legislation regulating supplementary mandatory and voluntary pension provision
2000	Establishment of supervisory body (SISA), licensing of pension companies, registration of pension funds
2001	Collection of occupational pension contributions
2002	Collection of universal pension contributions
2003	Consolidation of non-banking supervision
2004	Strengthening of regulation and supervisory practices

as you go (PAYG) social security managed by the National Security Institute (Pillar 1) with mandatory, privately managed pension funds (Pillar 2) and voluntary, privately managed funds (Pillar 3). The Bulgarian strategy involved allowing workers to allocate a modest part of the payroll tax to one of the licensed private occupational or universal funds. Although the investment of these funds in securities carries some risk for the workers, it also provides both an upside potential and a diversification of risk.

The principal milestones in the reform process, all heavily guided and supported by the USAID project team, are highlighted in the text box.

B. TANGIBLE RESULTS: 2002-2004

As indicated in the SOW, “USAID will judge the Contractor’s success upon the achievement of the tangible results enumerated below.”

1. *The number of workers as of December 2001 on whose wages pension contributions were collected is increased by 10% by the end of the contract. The object herein is increased pension contributions collection, compliance and enforcement.*

As can be seen from the table below, both the number of contributors and the value of assets contributed increased significantly from the end of 2001 until then end of 2004 when USAID completed its work with pension reform. Both the number of contributors and the total value of assets managed by private funds grew significantly. By 2006, the value of assets managed had grown to BGN 1.5 billion.

Contributors and Assets in Private Pension Funds

	December 2001	December 2004	December 2006
<u>Contributors (rounded)</u>			
Mandatory Funds	1,245,000	2,176,000	2,635,500
- Universal funds	1,100,000 ²	2,000,000	2,442,700
- Occupational funds	145,000	176,000	192,800
Voluntary Funds ¹	451,000	534,000	565,782
<u>Total Assets (BGN million)</u>			
Mandatory Funds	52	461	1,022
- Universal funds	--	261	708
- Occupational funds	52	201	314
Voluntary Funds	135	325	495

Sources: Bulgaria LMP, Financial Supervision Commission and Association of Private Pension Funds

2. *The GOB has adopted legislation which strengthens the regulations and supervisory oversight of private pension funds and which provides greater flexibility in investing pension assets.*

LMP helped establish both the initial legal and regulatory framework for private pensions (Supplementary Voluntary Pension Insurance Act and Mandatory Social Insurance Code of 1999), as well as revisions introduced over time. The legal framework establishes public control over the licensed private investment companies (8 as of 2004, and 9 in 2006) that manage the different funds available to contributors (24 as of 2004). The investment companies are required to have Boards of Trustees (for internal oversight), while the state regulates through the Financial Supervision Commission (SISA, the specialized entity for regulating pensions was merged with the regulatory units for capital markets and insurance in 2003). In 2003, pension legislation and regulation was codified in the Unified Social Insurance Code.

Important features introduced since 2002 into the pension regulatory framework, with LMP support, include:

- Daily valuation of pension assets by pension funds (initially strongly resisted by the industry) in order to provide contributors with regular information on their funds (introduced in 2004);
- Additional legal guarantees on the security of pension assets;
- Additional guarantees regarding the minimum return on invested assets;
- Regulation of potential conflicts of interest;
- Greater flexibility in the investment of assets, including movement from quantitative portfolio limits to the prudent person approach;
- Clearer regulations on the terms and procedures for switching (transferring pension assets) from one fund to another; and

¹ Initiated in 1994 prior to the USAID assistance.

² The universal funds started collecting on January 1, 2002; figures reflect applications received; all individuals born after 12/31/1959 required to participate.

- Increase in the contribution from the PAYG to the Universal Pension Funds from 2% in 2002 to 5% in 2004.

Mr. Bisser Petkov, head of the Social Insurance Division on the FSC, considers the introduction of daily unit values as one of the most critical innovations as it provides the greatest public transparency and discipline to the market.

The performance of the funds in the two-year period 2003-2004 averaged about an 11% rate of return, compared to 5.66% for bank deposits. Whereas in 2001, 86% of funds were invested in government bonds and bank deposits, this dropped to 76% in 2004 and 54% by 2006. Mortgage securities, municipal bonds and other securities absorbed a greater percentage of the investments, and given higher portfolio sizes, much higher values. By 2006, shares accounted for 19% of the UPF investments.

3. *Administrative systems within NSSI, SISA and the private pensions fund providers will be in place to ensure the transparent, effective and efficient management, recording, monitoring and regulation of all pensions within Bulgaria.*

"Bulgaria's pension reform has been a remarkable success, the result of strong government commitment to economic reforms, wide public support to social changes, and the hard work of many wonderful professionals...All this enabled Bulgaria to emerge as a leader in successful pension systems change, charting a course for others to follow....When addressing the pension reform issues, our efforts always focused on three goals: sustainability, irreversibility and effectiveness. And the highly visible results of the reform process today are vivid evidence that the goals were achieved, to name a few, sustainable pension provision for individuals, more security and better financial services for future pensioners, improved capital market liquidity, effective supervisory practices, transparency at all levels, and irreversible transition to a market economy."

Deborah McFarland, USAID Mission Director, at Pension Component Closeout Conference, February 2005

The LMP provided wide-ranging support for administrative systems, with a particular emphasis on IT and e-solutions. During the 1998-2001 period, the project set up the basic web based systems that allowed for the submission and processing of applications, the reporting by employers of employee contributions (through the NSSI to the various private managers), and then reporting back to contributors with information on their individual accounts. This system development had not been in the initial scope of work, but became urgent when a World Bank financed project to provide the IT backbone for the reform effort failed. Systems provided to the NSSI allow for the processing of applications for participants in private funds, collection and record keeping of pension contributions, and distributions to individuals without supplementary accounts, as well as to individual accounts. A web site was developed for the NSSI.

Between 2002-2004 (the period of the modification until the completion of pension support), LMP provided ongoing support to NSSI, the Social Insurance Division of the FSC, the overall FSC, and the private funds. A particularly critical system requested by the NSSI was the ability to register labor contracts, utilizing a controversial methodology that established minimum salaries for different occupations and industries. As intended, this led to increased levels of payroll tax compliance and collection. In the first year (2003), the collection of social insurance increased by BGN 350 million, the level of reported salaries was 7% higher, and the number of people insured increased by 5%.

Additional administrative systems for the NSSI included:

- A system for internal control, risk assessment and reporting (E-NSSI-Internal) that link the insurer's register and the register of insured persons to the social contribution system, banking supervision, the register of labor contracts and the system for compliance with social insurance obligations;
- A system for providing data to other government institutions, for example a pilot to crosscheck fraudulent unemployment benefit claims (E-NSSI-External);

- Internet access for self-employed individuals and employers to enter their monthly insurance declarations (pension and health insurance) as well as to enter labor contracts;
- As part of the Bulgarian e-government initiative, a system that provides employers and individuals with reports on their insured and service status; and
- External electronic service for verification, registration of documents, calculation of due payments, issuance of reports and certificates related to health insurance (E-NSSI-Health).

For the Financial Supervision Commission, LMP developed the following systems:

- A web site for the Financial Supervision Commission (www.fsc.bg);
- Real time, daily and monthly reporting of data by the Private Investment Companies to the FSC through e-FSC, a principal tool for offsite regulation;
- Migration and restructuring of historic data for unified system for processing audit reports; and
- A Call Center and system for recording and analyzing the calls.

These systems represented pioneering e-government applications in Bulgaria for enhancing transparency, reducing the shadow economy, combating corruption, and greatly increasing efficiency.

4. *Policies and procedures on pension fund reporting, disclosure, conflict of interest, investment standards and limitations, custody, and initial and ongoing capital reserve requirements will be developed, where none exist, and improved if they currently exist.*

Extensive support was provided to the Financial Supervision Commission, and especially to support the capability of its Social Insurance Division to carry out its supervisory and regulatory functions. Specific activities included:

- Support for off-site supervision with an electronic system for receiving daily and monthly reports from the PIC's, and with specific "filters" to help spot potential risk factors;
- Guidelines on supervisory ratios and tests on quantitative risks;
- Manual with detailed procedures for on-site examinations;
- Support on a range of issues related to fund investments, instruments and supervision, including pension fund accounting, financial control, appraisal of different investment instruments, regulation of pension fund investments abroad, and risk rating; and
- A methodology for the allocation of individuals to funds in the event they did not select a fund themselves.

Custodial services available in Bulgaria were also an area of analysis and support. Custodial banks are the main guarantors of the privately managed system. The project recommended ways to improve custodial services, including requirements for banks involved in providing services to the pension industry and a sample custodial contract.

Based on the Corporate Governance manual and training, a Code of Ethics was developed and adopted by all the PIC's.

According to counterparts interviewed, the effective regulations and operation of the regulatory agency can be viewed as one of the major successes of the Project.

5. *The private pension industry, NSSI and SISA will have adopted the relevant EU pension standards, the IAS, and an international investment performance reporting standard such as AIMR and GIPS.*

One of the ironies of Bulgarian pension reform is that it is now more advanced in many respects relative to the EU pension standards. This issue was discussed at the Closing Conference in February 2004 as something that would require continued attention by the EU since in general, its newer members were pioneering reform efforts. However, with Project support, Bulgaria has moved towards European and international standards on accounting and auditing standards, corporate governance and fund valuation and performance (use of daily unit values).

The LMP sponsored the FSC's participation in the 2004 INPRS/OECD Forum on Private Pension Reform in Emerging Economies, an event that marked the establishment of the International Organization of Pension Supervisors (IOPS). IOPS will be the standard-setting body on regulatory and policy issues in pension supervision. Participation by FSC will help transfer best supervisory practices to Bulgaria.

LMP also advocated for the adoption of International Accounting Standards (IAS), which were introduced in 2002-2003. Assistance to the private industry, through the Bulgarian Association of Pension Insurance Companies, included training on IAS as well as the development of a Corporate Governance Manual, and training and guidelines on its utilization.

6. *Staff of the NSSI and SISA will be trained on pension administration, regulation and management, and pension investment management issues, where pertinent, i.e. enhanced contribution, collection, licensing, enforcement, diversification, asset allocation, performance monitoring and attribution.*

A wide range of trainings and training approaches were provided to the principal stakeholders, and especially the new Financial Supervision Commission and its Social Insurance Division (previously SISA). Assistance was provided with the consolidation of the unified regulator through participation in working groups, study tours, training courses and daily on-the-job operational support.

Particular emphasis was given to training in off-site supervision (supported by electronic data exchange) and field audits. A detailed audit manual, "Manual for off-site examination of insurance companies and pension funds" was developed and guidance was provided through the initial audits. To assist the regulators in moving toward a risk-based approach to supervision, guidelines and training were provided on "Supervisory ratios and tests on quantitative risks." Training in International Accounting and International Audit Standards was also provided.

Regional workshops and conferences were considered important training tools, and participation by regulators and fund administrators was supported by the project.

7. *Increased public understanding of and greater confidence in the reformed pension system. An increased understanding by the public and employers of the contribution requirements and benefits of the new pension system is required. The results of these must demonstrate an increase from little or no knowledge of the new pension system as revealed from at least two public opinion polls or other appropriate measurement tools, one at the commencement of the expanded public education program and one in 18-20 months thereafter.*

During the first phase of pension reform (1998-2001), the Project invested heavily in public education and outreach. Of note were brochures (2 million distributed), a weekly TV series including interviews with people on the street, radio programs, town meetings, media tours and training, posters, and newsletters

aimed at key decision makers. Public opinion was monitored through market surveys and polls. An important innovation for Bulgaria was the establishment of a Call Center to provide answers to concerned citizens—over 50,000 calls were processed, with questions analyzed and reported to policy makers (numerous adjustments were made based on the feedback).

For the second phase following the modification, however, the decision was made to place much less emphasis on public education related to pension (and instead focus more on active labor market policies as described in the next section below). Thus, further opinion polls were not commissioned.

The LMP project focused on other ways of strengthening public understanding and confidence in the system. Most important was ensuring timely and useful information for contributors and other stakeholders. Important information and confidence building tools included:

- Insistence on the daily unit valuation of pension funds (despite industry opposition) in order to provide contributors with the most transparent and frequent information on the performance of the funds;
- Web sites for the FSC and NSSI to provide statistics and information to the public;
- Help to the Bulgarian Association of Pension Insurance Companies in preparing its monthly newsletter to unions, municipalities, parliament and other key stakeholders;
- Establishment of a call center for FSC; and
- Incorporation of the project call center within the MLSP, which assumed the associated costs and broadened its scope to include all of the Ministry's programs.

Pension reform continues to be controversial in Bulgaria and public polls (not commissioned by the project) have shown mixed levels of support and understanding. The issue has been debated in election campaigns, although to date all governments have continued to support the reforms. One of the problems in Bulgaria is that contributions have been very high, at least in part due to low historic compliance rates, and more significantly the poor and deteriorating demographics (low numbers of young people, many of whom are emigrating). However, compliance rates have been improving and contribution rates decreased. Furthermore, with employment and wage levels rising (see the labor market reform section), this could begin to discourage emigration as contribution levels further increase, thus creating a more virtuous cycle.

Ultimately the real test of success of the private funds will occur once they begin paying out to pensioners. In the interim, several indicators suggest higher levels of understanding and support. For example, 3-4% of participants switched funds in 2006. Another indicator is the steady growth of voluntary fund participants and contributions. Most importantly, the solid regulatory capacity and procedures provide confidence that funded pensions will be protected.

III. LABOR MARKET REFORM COMPONENT: ACTIVITIES AND RESULTS

A. PHASE I—FOCUS ON MINISTRY OF LABOR AND SOCIAL POLICY (MLSP)

This component was initially designed in response to a specific request to USAID from the Minister of Labor and Social Policy, Lydia Shuleva, for policy advisory and analysis support, especially to develop, publicize and evaluate policies and programs to lower the stubbornly high levels of unemployment. The Tangible Results are reviewed below relative to the specific requirements of the SOW.

1. *MLSP will use the regular application of policy analysis techniques in determining the cost and expected return of various labor market interventions and income support measures.*

The Government of Bulgaria during this period allocated a significant budget to a range of active labor market policies (ALMP) intended to get the hard core unemployed back to work. These included grants to municipalities for public works that would utilize unemployed workers. The original intent of the LMP was to establish a high-level policy analysis unit within the MLSP. However, the Ministry never found the right caliber labor economist to lead this group, and when Minister Shuleva became Minister of Economy shortly thereafter, interest in this concept waned.

LMP did, however, support the Ministry with the application of policy analysis techniques. Training programs on cost-benefit and impact analysis were organized for analysts in different units of the Ministry and the National Employment Agency. This training led to the formation of a working group to establish and monitor specific impact indicators for active labor market programs.

In addition, the Project subcontracted with a Bulgarian firm to conduct a survey of the impact of the ALMP at the municipal level. This analysis was used as the basis for a policy paper to refine and better target these programs.

Another technique introduced to the Ministry was the benchmarking of the Labor Code relative to other Central European countries. This was used to formulate position papers and focus debate within tripartite discussions with labor and business.

As a third technique for transferring analytical techniques to the Ministry, LMP sent officials and analysts on study tours to Ireland and Spain—two countries that had been particularly successful with their accession to the EU, specifically with labor market initiatives. One specific result of the visit to Spain was learning and adopting the Spanish approach to the registration of labor contracts and establishment of wage thresholds as a means to addressing the “shadow” economy. This was successfully implemented in Bulgaria with dramatic results.

A fourth technique, further described below, involves the LMP Call Center, incorporated by the Ministry and broadened to cover all of its programs. The Call Center utilizes a software, developed by LMP that helps track and analyze the calls and their content, as the basis for preparing reports on the concerns and suggestions of the 2,000-4,000 monthly callers.

2. *MLSP will effectively articulate its strategy to the Bulgarian people, can explain the reason for and expectations behind, proposed policy changes, and can document the success of initiatives to improve labor demand and job creation, and thereby build greater public confidence in its ability to structure results oriented employment programs.*

During this phase, LMP provided significant support to the Ministry to enhance its public outreach. With the support of Janev and Janev, a Bulgarian public relations firm, MLP organized a public education campaign in support of ALMP, centered upon town meetings throughout the country. These town meetings, attended by the Minister, provided opportunities to explain the programs, benefit from intensive local media coverage, and receive feedback from citizens. The purpose was to promote wide utilization of the programs, both by municipalities and the unemployed. The effectiveness of these initiatives was documented through the impact survey noted above.

The impact of the ALMP was significant. Between 2002 and 2003, the unemployment rate decreased from 17.8% to 13.7%, with about 75,000 temporary jobs created through the ALMP accounting for about half of the decline.

LMP also convinced the Ministry to adopt other techniques for communicating with the public, building a greater level of confidence in its policies and programs.

- The Call Center, originally run directly by the Project with a focus on pensions, was broadened to include all labor and social programs administered by the Ministry. After having resisted the idea of a call center during the early pension reform years, the Ministry now realized its effectiveness as an outreach tool, and at its request, the entire Center was officially transferred to the Ministry by USAID. The Center receives about 2,000-4,000 calls per month. Citizens are pleasantly surprised to receive immediate and concrete answers to their questions and concerns. Policy-makers benefit from the periodic reports that analyze the demographics of the callers, and the nature of their questions and issues.
- The National Employment Agency, responsible for registering the unemployed and delivering benefits, re-training, and job placement services at the local level, agreed to improve its customer relations. This Agency was a carry-over institution from the centrally planned economy, with the attitude of a monopolist service provider. In order to improve how the Agency interacted with the public, LMP provided customer service training to its staff. It also created a website to enhance communications with the public and within the Agency, and provide an electronic labor exchange. The success of these initial efforts led to requests for further support in the development of Model Employment Offices, implemented in the second phase.
- LMP published “Labor Market in Bulgaria 2003” as a tool for compiling and disseminating analysis on the Bulgarian labor market. This publication included policy positions from the Minister and other top officials, as well as articles analyzing the labor market and labor market policies and programs, discussions of social dialogue mechanisms, and labor, social security and tax legislation implications for the labor market.

3. *MLSP will strengthen administrative controls and incentives to comply with formal sector employment requirements.*

As has been described, the MLSP adopted and implemented, with LMP support, the requirement to register all employment contracts and establish minimum salary thresholds for all categories of employment and industries. The concept behind this is that individuals cannot declare less than the minimum salary established by the thresholds. This combats a practice, prevalent in Bulgaria, where employers paid part of the salary “officially” and the rest “unofficially.” This saved the employer payroll taxes and the individual income taxes as well as payroll tax.

This administrative control, implemented through the NSSI, had dramatic impact. In 2003, labor contracts showed over 100,000 more people employed than reported by the National Statistics Institute. In addition, salary levels as declared increased by 7%.

4. *MLSP will be able to estimate and evaluate the degree of shadow economy employment or underpayment of social taxes and articulate the costs of such activities to the Bulgarian family. The MLSP will use the findings from these techniques to support discussions with and proposals to the Ministry of Finance and Economy.*

There are a number of think tanks in Bulgaria carrying out analyses of the size of the shadow or informal economy, and MLSP officials did not believe this type of analysis would be useful to its endeavors. To address the underpayment of social taxes, the Ministry relied on the minimum salary thresholds noted above. During the first year of implementation (2003), this approach yielded increased social insurance

revenues of over BGN 350 million, and the number of people insured increased by 5%, as reported by the NSSI.

Through its work with the Ministry, LMP became increasingly convinced that rather than merely fighting the shadow economy, more analysis should be devoted to understanding the constraints to growth of jobs in the formal economy. USAID agreed and the TO was modified to shift in this direction, as discussed below.

5. *Regional data will reflect decreased job seekers to vacancy ratio and/or higher rate of job creation than job destruction on average.*

At the outset of the Labor Market Component, the unemployment rate reached a peak of 17.8%. As can be seen from the table below, unemployment rates have been consistently and dramatically declining while the number of new jobs (the difference in the number of people employed from one year to the next) has increased and the absolute number of unemployed has also declined. While the figures are less positive for rural areas, the overall improvement is significant.

Labor Market Statistics

	2006	2005	2004	2003
Labor force (000)	3448	3311	3302	3237
Employed (000)	3160	2982	2912	2825
Unemployed (000)	288	328	391	411
Unemployed (%)	8.4	9.9	11.8	12.7

Source: National Statistics Institute, Fourth quarter data for each year.

The active labor market policies initiated in 2002 undoubtedly played an important role. In 2003, an average of 75,000 people were employed at least temporarily, with a peak of 90,000 in September of that year. These programs seem to have provided an important macroeconomic stimulus.

While it is hard to establish a clear correlation between labor market policies and employment trends, the data confirms the critical strategic conclusion regarding the importance of the supply side of the labor market. As investment and growth expand, the competition for appropriately skilled labor becomes more intense. This leads to higher wages (a positive trend) but also places a premium on productivity growth for the trend to continue without a loss of competitiveness. This also points to the importance of continued workforce and skills development.

6. *Labor Code and Social Assistance Act will be compatible with EU Accession.*

Both the Labor Code and Social Assistance Act (as modified in 2003) are compatible with EU accession.

B. PHASE II—ADDRESSING CONSTRAINTS TO NEW JOB CREATION

As defined in the Task Order Amendment of August 2004, the primary focus of this second phase of the Labor Market Component was shifted to “identifying and eliminating labor market constraints on new job creation, with the ultimate goal of attaining sustained employment growth, higher wages and rising incomes in Bulgaria.” Specifically, the objectives were to:

- 1) Improve the flexibility of the Labor Market needed for increased investment and growth; and

- 2) Help the country improve the competitiveness of its labor force to better meet the EU labor market demands.

The results of Phase II are presented below for the Areas of Work and Tangible Results defined in the TO modification to the SOW.

1. *Labor Code Reform: Legislative amendments to the Labor Code addressing key labor market flexibility issues are enacted by Parliament.*

This activity area was omitted, with USAID approval, based on the results of the interview program with investors (see below) that indicated that the Labor Code was not a critical constraint for most sectors. While some adjustments regarding flexibility in overtime and seasonal contracts would benefit industries such as apparel and tourism, they are not perceived as being decisive in investment decisions and competitiveness. Furthermore, due to upcoming elections, the GOB and parliamentarians were increasingly unwilling to approach labor code issues from a business-friendly perspective.

2. *Identification of employers needs: New programs in place at the MLSP focused on eliminating labor market constraints to investment.*

The LMP undertook an interview program of 159 companies in a range of sectors and industries that promised the greatest potential for growth in Bulgaria. Interviews were conducted with companies already operating in Bulgaria regarding future growth, as well as with international companies actively seeking new locations and that may or may not have explored opportunities in Bulgaria. The objective of the interviews was to identify the key factors determining investment, location and expansion decisions, the relative importance of labor market considerations, and specific concerns with Bulgaria relative to other locations. The results of this interview program were presented in a workshop, and widely promoted with other Ministries and opinion leaders.

The interview program concluded that Bulgaria had significant opportunities for new investment and employment creation, especially in rapidly growing service sectors, as well as logistical and supply chain-based manufacturing to capitalize on location and comparatively lower costs. However, the findings also had fundamental implications for the Labor Market Project (and other stakeholders):

- The most critical labor market-related constraint to growth is the lack of the correct skills and education for occupations and industries with the greatest potential. This implies a problem on the supply side of labor and specifically a gap between what employers and entrepreneurs require and what the educational and training institutions are providing. Since MLSP does not have a primary role in education and training (except for long-term unemployed) this meant the LMP had to develop programmatic initiatives with other partners.
- For investors, the Labor Code is generally acceptable by European standards (although some industries would benefit from more flexibility on overtime and seasonal contracts).
- Firms consider the payroll taxes to be very high and a disincentive to investment (or an incentive to under-report salaries). Thus, a decrease in payroll tax rates could actually lead to an increase in collections as increased investment leads to more formal jobs.

As a result of the findings, USAID approved adjustments to the work plan for Phase II. These included dropping the Activity Area related to changing the Labor Code and deemphasizing work through the MLSP. Instead, more emphasis was given to introducing pilot programs to better prepare labor force entrants and those already in the labor force to meet the needs of a changing economy.

3. *Training Certification Programs: Education and certification programs in place that meet the current skill needs of employers.*

In interviewing investors and company managers, it became apparent that one of the principal constraints was the lack of middle managers, individuals with specialized skills and functional know-how. Furthermore, it was generally perceived that Bulgarian institutions of higher learning were too theoretical in their orientation, and too limited and rigid in their degree structures and curricula to provide the practical training and know-how required in a service, knowledge based economy. LMP hypothesized that one way of addressing this gap was to develop short-term training programs in collaboration with the industries and companies requiring specific skills, and where possible, relevant training partners. Given its importance to the economy, it was decided to work closely with the apparel industry and the small- and -medium scale tourism industry.

The specific training and certification programs developed through interactions with the tourism industry are summarized below:

- Bringing best practices in hospitality to teachers in schools for tourism. This initiative addressed a practical knowledge gap created by the lack of continuous training for teachers in vocational schools in tourism, leading to a negative perception in the industry that the tourism schools are outdated for the needs of the industry in the 21st century. The initiative gave teachers access to best skills and practices in the hospitality industry available at some of the large international hotel chains operating in Bulgaria. LMP conducted a pilot internship program for teachers consisting of 8 internship programs executed between May and November 2006. Sixty-five teachers from 31 schools teaching more than 6,000 students attended the internships. The initiative enabled teachers to upgrade their practical skills with the help of LMP partners—the hotels Sheraton, Radisson SAS, and Hilton in Sofia.

According to representatives from the Ministry of Education and Science (MES) the initiative will serve as a foundation for the institutionalization of internships for teachers across all areas of vocational education in the coming years.

- Cost-effectively addressing the lack of marketing in small-scale tourism. One of the constraints in developing training programs for small scale hotels is that the owners-proprietors and their key staff are among those who most need the initial training, but lack the time or inclination to participate. The LMP developed manuals and guidebooks on marketing and customer service to fill this gap. The customer service manual was distributed to tourism associations, teachers from vocational schools in tourism, and the Agency of Tourism. The manual will also serve the needs of the Authentic Bulgaria tourism program implemented by USAID VEGA.

For the apparel industry, LMP benefited from a special study financed by USAID/EGAT to conduct a transport and logistics diagnostic of the textile and apparel industry in Bulgaria. Textiles and apparel account for 25% of all Bulgarian exports but face enormous competitive pressures from low-cost producers in Asia. The diagnostic demonstrated that the best chance for the industry to reposition itself strategically was to focus on rapid response to buyer requirements. This in turn requires strong management attention to supply chain management of both inputs and deliveries. Since it could preserve large numbers of jobs by improving industry competitiveness, supply chain management focused on the textile and apparel industry was selected as a high-impact pilot for training and certification.

Partnering with the Association of Manufacturers and Exporters of Apparel and Textile (AMEAT), the LMP delivered a number of awareness and training events for the management of apparel companies. The LMP also produced a series of video-training materials for the needs of the industry. In addition, the LMP started working with pilot companies in introducing the rapid response supply chain concepts. However,

these were discontinued before completion due to serious business problems and resistance to change at participating companies.

Given resistance in the apparel industry, LMP decided to see if more progressive companies and sectors would be more open to the new management concepts. In partnership with the American University in Bulgaria (AUBG), a certification program in supply chain management was developed and offered in two cycles (and open to any business). The curricula included both learning the elements of supply chain management with applying them to the specific needs of each participant's company. Employers paid for the participation in the program, while USAID sponsored the content development and lecturer. The practical projects developed through the course were estimated by the companies involved to bring 50,980,560 BGN in annual savings, plus one-time cost reductions of 106,994,000 BGN. The companies that participated in the first program have more than 1,000 Bulgarian suppliers, whose operations also benefit from improved SCM practices by their customers. To raise awareness of SCM, the LMP prepared and published three articles on the subject in November 2006. The articles were published in "Dnevnik," one of the most popular daily newspapers in Bulgaria.

The LMP also prepared three case studies demonstrating the success of supply chain methods across manufacturing and services firms from different sectors. The main foci of the case studies are the early results of the implementation of some class projects developed during the first SCM certification program. The case studies were offered for publication to professional business journals in January 2007.

The Bulgarian Trainings Firm Net (NET), a unit of the MES, joined forces with the LMP to organize the first seminar on supply chain management for teachers in secondary schools. Forty nine teachers leading business and entrepreneurship programs at schools in 16 cities received training from Bulgarian and international experts. The seminar was the first in a series of initiatives organized by NET and different partners through which knowledge of SCM will be spread among teachers and young people. The NET is a member of an informal institutional Supply Chain Management Knowledge Network, set up with LMP assistance and including partners such as the Center for Entrepreneurship and Executive Development (CEED) and AUBG.

4. *National Internship Program: "Significant increase in number of University students who receive practical work experience through internships."*

This LMP program was established in recognition of the importance of experiential learning in preparing students for the labor market. Not only would internships provide valuable work experience, and employers with a mechanism for finding good candidates, but for many students it would provide guidance for selecting an appropriate course of study. The LMP started by developing a successful internship program in partnership with Job Tiger, and then realized an enormous unmet demand among employers and students for career guidance. Thus, the development of career development centers (CDCs) was added as a major new element of this activity area. The Tangible Result for this activity area can be more broadly stated as "creating the capacity to better prepare young people to enter the workforce with relevant skills and expectations."

National Internship Program Initiatives

- Design and promote an Internet-based internship platform to link directly students and employers
- Help universities to open career development centers (CDCs) which link university programs and students with employers
- Train staff of CDCs using methodologies of internationally recognized programs for training career counselors
- Draft methodologies for employers and universities on how to develop internship programs
- Organize internship and career fairs
- Promote among universities the granting of academic credit for internships

For internships, the LMP entered into a partnership with Job Tiger and developed an online platform www.staj.bg connecting internship seekers and employers through a secure interactive database, with tools for searching and posting data about internship opportunities. This platform supported over 4,000 internships in 2006. The website also incorporated useful information such as practical guidelines for employers and universities on how to prepare successful internship programs; employment facilitation materials (CV and resume writing guidelines, interview tips, etc.); and self-assessment tests to help students determine their career aptitude, learning needs, and job hunting strategies. Together with the British Embassy in Bulgaria, LMP developed guidelines in establishing successful internship programs, and made these available on-line and in booklets to employers and universities.

The initial strong response from employers and students with internships revealed great interest in a broader range of career guidance services, resulting in the LMP decision to pilot Career Development Centers (CDCs) at universities (almost non-existent at Bulgarian universities). To provide credibility, the LMP collaborated with the US-based National Board for Certified Counselors to train and certify prospective counselors with their rigorous Global Career Development Facilitator Certification. In addition, for each pilot, the LMP provided some equipment, networking among the Centers (eventually the counselors organized themselves into an association) and mentoring. LMP also developed a comprehensive, multimedia self-study course on career facilitation, a code of ethics for career counselors, and marketing strategies and materials at a total value of over \$8,000 USD per center. The LMP developed two websites, www.careercenters.staj.bg and www.staj.bg, which provide an online link for all CDCs. They facilitate exchange of information and ideas among career centers and allow employers convenient access to student information for recruiting purposes. The LMP also disseminated a semi-annual electronic newsletter of CDCs, and subscription to this service surpassed 800 subscribers as of December 2006.

Between 2004 and 2007, the LMP helped 22 universities, two colleges and one vocational school to establish and operate CDCs.

Given the success of the CDCs and internships, LMP with USAID support, acted to deepen the impact and enhance the sustainability of the activities. Examples include:

- To demonstrate their effectiveness as a bridge between employers and students, the LMP organized several internship and career fairs for university and vocational school students in cities around Bulgaria. Over 17,000 students and 250 companies visited these fairs. The project prepared and printed over 10,000 copies of a booklet titled “Student Internship – How to Start Successfully Your Career” as a guide on what an internship is, how to look for it and how to recognize which ones offer real value for students, together with 10,000 leaflets and 3,000 posters.
- Given the success of the counselor certification program, the LMP assisted the University of Rousse to launch the first university program in career facilitation in Bulgaria. The LMP developed the program’s curriculum and a marketing plan. As a result of marketing efforts, 23 applicants were admitted to the Masters Program by the end of September 2006.
- High school and vocational school systems are major suppliers of entrants to the labor market, but its programs are largely disconnected from the workforce skill needs of employers. The Ministry of Education partnered with the LMP to build capacity for career counseling at secondary and vocational schools. Given the large number of schools, this required training for an initial group of 28 pedagogical advisors selected by the Ministry of Education. Eighteen of them successfully completed all stages of training to become certified as trainers in career development facilitation. These certified counselors will now train and supervise the work of between 1,700 and 3,000 pedagogical advisors in secondary schools in the area of career facilitation. These experts will be hosted in the regional

centers of the National Pedagogical Center. In the last quarter of 2006, these master trainers trained the first 50 of their colleague pedagogical advisors in career facilitation skills.

- The website www.KakviDaStanem.bg was launched to assist Bulgarian youth make informed career decisions. The new website enables young people to link the subjects they study to the career opportunities in different occupations and calculate the investment in their education and its potential return.

To ensure sustainability and continuation of this area of activity, the Business Foundation for Education was established last year by LMP and Job Tiger. As USAID moves towards “graduation” in Bulgaria, this area of activity has been designated one of USAID’s legacies. The Foundation will receive a direct grant to provide some support as it further establishes itself. The Foundation will continue working for the development of the career facilitation system and the career facilitator’s profession.

5. *Model Labor Offices: “Better provision of Employment Agency services in matching workers to jobs and in delivering cost-effective assistance.”*

The Employment Agency (EA) is the part of the Ministry of Labor and Social Policy (MLSP) that most extensively interacts with the public through its network of offices throughout the country responsible for registering the unemployed, delivering unemployment and other social benefits, coordinating retraining efforts and providing a matching service between employers and the unemployed. A legacy of the centrally planned economy, this activity area represented an effort (requested by the Ministry and Agency) to modernize this highly inefficient organization and improve its customer and market orientation.

The effort started in November 2003 with a training of trainers program in customer service and related topics. The EA realized the importance of customer service, and in the following year the training was replicated to include a large number of EOs.

In 2005, the EA started implementing a new process and client-oriented model of work in labor offices across the country. The LMP supported this implementation by enhancing EA’s capacity to deliver better services to its customers (unemployed and employers). LMP experts, in collaboration with EA specialists, developed customer service standards for the quality of services that the agency provides to the unemployed and employers. These standards include a code of conduct on how agency employees communicate with each other, together with a quick reference guide containing the key elements of the standards to be available to each and every employee for reference in the initial stages of implementation.

The set of standards is accompanied by an educational interactive multi-media containing series on customer service aimed at complementing the manuals and facilitating their practical implementation in labor offices throughout the country. The multimedia is based on prior customer service training courses held by the LMP and will be used to replicate the effects of such training across the EA system.

The official version of the standards was launched in December 2005, at “Employer of the Year” – a major, high-level event organized by the EA every year to acknowledge the efforts of the employers for improving the labor market situation of the country. The standards were introduced in all 120 regional employment offices. 400 copies of the standards were printed for the head office and for each regional office, together with 4000 copies of the quick reference guide to be provided to each individual employee. Three thousand agency employees in all 120 employment offices around the country were trained and now utilize these standards.

The EA is the first unit of the state administration to adopt such standards. To facilitate implementation, the EA then requested assistance in incorporating these standards into their performance evaluation process. A set of guidelines was developed together with a structured form to facilitate the observation and evaluation process.

IV. CHALLENGES AND LESSONS LEARNED

The Labor Market Reform Project tackled two of the most complex and challenging issues facing both emerging and developed countries: pension and labor market reform. Many lessons were learned over the course of this program, but most important and satisfying is that the Project produced two of the most important legacies that USAID will leave in Bulgaria: 1) a fundamentally reformed pension system that also provides a major stimulus to the capital market; and 2) career development centers and related programs that begin to bridge the gap between the evolving needs of the economy and the skills and preparation of labor market participants.

The following are some of important lessons learned over the course of this project:

1. *Comprehensive and controversial reform works best when there is an impending crisis to focus attention, followed up by an inclusive process to work out solutions.* The pension reform process in Bulgaria worked remarkably well, albeit not easily, by involving all stakeholders (including the public) in formulating appropriate and pragmatic solutions for Bulgaria, but based on best practices. In a recent assessment commissioned by USAID/Bulgaria of lessons learned, pension reform was credited as a particularly shining example of successful reform. “Ownership” by Bulgarian counterparts, public education and outreach to alleviate the fears of the public, and strong attention to the regulatory side are among the most important success factors. In contrast, Labor Code reform did not build traction because it did not prove to be a critical issue, and key counterparts did not “buy in” or take the lead on this initiative.

2. *The failure of education and training institutions to adequately prepare and advance the skills of labor market participants is emerging as one of the most critical structural constraints to economic growth.* Given globalization, rapid growth of services, and the increasingly critical role of knowledge in creating value, human capital and know-how become indispensable for countries (and firms) to attract investment and compete in the global marketplace. The Bulgarian experience shows that active government labor market programs can be an important stimulus for reducing unemployment and economic growth in the short run, but over the longer run, sustained employment creation and productivity growth requires continuous improvement in the level of skills and preparation of labor force participants. Through pilot projects, LMP demonstrated a strong demand for new approaches to education and professional preparation and development. Although the educational establishment is notorious for resisting change worldwide, this strong grassroots demand, together with seeding initiatives that demonstrate effective results, can build momentum towards reform. Business leadership in this process is critical.

3. *Public outreach and effective two-way communications should be a part of all economic reform projects.* Politicians are naturally hesitant to support reform unless they sense some level of public support (regardless of how intellectually compelling the case for reform); they are also hesitant to open up two-way dialogue. In Bulgaria, call centers, town meetings, joint tours with media and opinion leaders and other forms of public dialogue proved to be highly effective in alleviating citizens’ fears and concerns. These tools are now widely employed in Bulgaria.

4. *IT applications contribute significantly to change in institutions, processes and behavior.* It is one thing to change policies, laws and regulations and quite another to implement these with the corresponding changes in processes and behavior. The IT activities under LMP demonstrated enormous

impact on institutional change and efficiency (FSC, NSSI, EA) of improved information flows and processes facilitated through IT applications, as well as major changes in behavior by citizens and stakeholders (compliance with social insurance obligations, participation in internship programs, answering citizen concerns through call centers and adjustments to policy).

5. USAID projects are most effective when they focus on strategic objectives and measurable results, yet are allowed to evolve tactically based on what is working and what is learned. LMP, and especially the Labor Market Component, utilized market research and feedback from investors and business, as well as ongoing appraisals of what was working more or less effectively, to focus resources on activities with the greatest impact.

6. Building for sustainability is achieved by thinking of USAID resources as a co-investment in projects “owned” by local champions. When there is strong co-investment by the local partners, and technical assistance from USAID is genuinely demanded and appreciated, there is a much higher likelihood of success. Positive examples under LMP include the partnerships with: JobTiger in the internship programs and established of the BFE; the FSC on developing supervisory capacity; NSSI on IT systems; the Employment Agency with its modernization process; and the MLSP with the call center.

Perhaps the LMP’s greatest success is the creation of a significant legacy in the form of competent and accountable institutions to carry on the work of labor market enhancement well into the future. These include the FSC, the private pension industry and its association, the e-government capabilities of the NSSI, the Business Foundation for Education and associated CDCs and their host institutions.

V. FUTURE OPPORTUNITIES

As Bulgaria embarks on the process of European Union integration and the USAID Mission closes its doors, the Bulgaria Labor Market Project has proven to be a lasting legacy and fundamental source of vitality in the Bulgarian economy. While there are few foreseeable opportunities for formal USG assistance to expand the LMP’s activities, there are many promising areas for expansion.

Perhaps the LMP’s greatest success is the creation of a significant legacy in the form of competent and accountable institutions which will carry on the work of labor market enhancement well into the future.

The key challenge for all major players—regardless of their sector, expertise, or service—is threefold:

- To continue to improve and innovate their programs and services, according to international best practices;
- To transfer their expertise to institutions which have not yet achieved satisfactory labor programs; and
- To maximize gains and efficiency by maintaining close coordination and cooperation with one another.

It has been a pleasure for CARANA Corporation to undertake the Bulgaria Pension Reform and Labor Market Project (LMP), working closely with our partner, USAID. We deeply appreciate the support and collegial relationships that we have shared with our Bulgarian partners and dedicated USAID staff. Without this supportive environment, the successes achieved under the program would not have been possible.

VI. APPENDIX A: CONTACT LIST OF KEY COUNTERPARTS

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VII. APPENDIX B: LIST OF PARTNER ORGANIZATIONS

United States Agency for International Development	Technical University of Gabrovo
Ministry of Labor and Social Policy	Nicola Vaptsarov Naval Academy
Ministry of Education and Science	University of National and World Economy – Sofia
Ministry of State Administration and Administrative Reform	Higher School of Civil Engineering “Luben Karavelov”
Bulgarian Rectors Conference	Rouse University “Angel Kantchev”
Employment Agency	University of Chemical Technology and Metallurgy
Financial Supervision Committee	University of Veliko Turnovo
National Social Security	Technical University – Sofia
Bulgarian National Bank	International College – Albena
Business Foundation for Education	South West University “Neofit Rilski”
National Pedagogical Center	University of Architecture, Civil Engineering and Geodesy
JobTiger, LTD	Technical University of Varna
Bulgarian Human Resource Management and Development Association	Varna Free University
Association of Career Consultants in Bulgaria	Higher School of Transport “Todor Kableshkov”
Janev and Janev	University of Economics – Varna
American University of Bulgaria	University of Food Technologies
Plovdiv University “Paisii Hilendarski”	Mining and Geology University “St. Ivan Rilski”
Trakia University – Stara Zagora	Vasil Levski National Military University
Sofia University “St. Kl. Ohridski”	Management, Trade and Marketing College - Sofia